

SENATE FILE 239
BY COMMITTEE ON BUSINESS AND
LABOR RELATIONS

Substituted for ~~SB~~ HF 590
(SUCCESSOR TO SSB 192) 3/30/93

Passed Senate, ^(P.707) Date 3-18-93 Passed House, ^(P.929) Date 3/30/93
Vote: Ayes 48 Nays 0 Vote: Ayes 99 Nays 0
Approved April 6, 1993

A BILL FOR

1 An Act relating to unemployment compensation by establishing a
2 minimum highest benefit cost ratio, by changing the
3 contribution rate tables, and by extending the duration of the
4 unemployment administrative contribution surcharge.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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239

1 Section 1. Section 96.7, subsection 2, paragraph d,
 2 subparagraph (2), Code 1993, is amended to read as follows:

3 (2) The highest benefit cost ratio is the highest of the
 4 resulting ratios computed by dividing the total benefits paid,
 5 excluding reimbursable benefits paid, during each consecutive
 6 twelve-month period, during the ten-year period ending on the
 7 computation date, by the total wages, excluding reimbursable
 8 employment wages, paid in the four calendar quarters ending
 9 nearest and prior to the last day of such twelve-month period;
 10 however, the highest benefit cost ratio shall not be less than
 11 .02.

12 Sec. 2. Section 96.7, subsection 2, paragraph d, the
 13 contribution rate tables, Code 1993, are amended by striking
 14 the contribution rate tables and inserting in lieu thereof the
 15 following:

Benefit Ratio Rank	Approximate Cumulative Taxable Pay- roll Limit	Contribution Rate Tables								
		1	2	3	4	5	6	7	8	
1	4.8%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	9.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	14.3%	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
4	19.0%	0.4	0.3	0.3	0.2	0.1	0.1	0.1	0.1	0.1
5	23.8%	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.1	0.1
6	28.6%	0.9	0.8	0.6	0.5	0.4	0.3	0.2	0.2	0.1
7	33.3%	1.2	1.0	0.8	0.6	0.5	0.4	0.3	0.3	0.2
8	38.1%	1.5	1.3	1.0	0.8	0.6	0.5	0.3	0.3	0.2
9	42.8%	1.9	1.5	1.2	0.9	0.7	0.6	0.4	0.4	0.3
10	47.6%	2.1	1.8	1.4	1.1	0.8	0.6	0.5	0.5	0.3
11	52.4%	2.5	2.0	1.6	1.3	1.0	0.7	0.5	0.5	0.3
12	57.1%	3.0	2.4	1.9	1.5	1.1	0.9	0.6	0.6	0.4
13	61.9%	3.6	2.9	2.4	1.8	1.4	1.1	0.8	0.7	0.5
14	66.6%	4.4	3.6	2.9	2.2	1.7	1.3	1.0	0.8	0.6
15	71.4%	5.3	4.3	3.5	2.7	2.0	1.6	1.1	0.9	0.7
16	76.2%	6.3	5.2	4.1	3.2	2.4	1.9	1.4	1.0	0.9

1	17	80.9%	7.0	6.4	5.2	4.0	3.0	2.3	1.7	1.1
2	18	85.7%	7.5	7.5	7.0	5.4	4.1	3.1	2.3	1.5
3	19	90.4%	8.0	8.0	8.0	7.3	5.6	4.2	3.1	2.0
4	20	95.2%	8.5	8.5	8.5	8.0	7.6	5.8	4.3	2.8
5	21	100.0%	9.0	9.0	9.0	9.0	8.5	8.0	7.5	7.0

6 Sec. 3. Section 96.7, subsection 12, paragraph d, Code
7 1993, is amended to read as follows:

8 d. This subsection is repealed July 1, ~~1994~~ 1998, and the
9 repeal is applicable to contribution rates for calendar year
10 ~~1995~~ 1999 and subsequent calendar years.

11 EXPLANATION

12 Section 1 of the bill provides that the minimum highest
13 benefit cost ratio shall not be less than .02. Current law
14 does not provide a minimum ratio. Section 2 modifies the
15 contribution rate tables by providing rates that equal or
16 exceed the current rates. Section 3 extends the scheduled
17 sunset of the administrative contribution surcharge from July
18 1, 1994, to July 1, 1998, and making the repeal applicable to
19 contribution rates for calendar year 1999 instead of 1995.

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SENATE FILE 239
FISCAL NOTE

A fiscal note for SF 239 is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

Senate File 239 affects unemployment insurance laws in 3 ways. First, the bill provides that the minimum highest benefit cost ratio shall not be less than 0.02. Second, the bill modifies the contribution rate tables to reflect employer experience. Third, the bill extends the scheduled sunset of the Administrative Contribution Surcharge from July 1, 1994, to July 1, 1998, and makes the repeal applicable to contribution rates for CY 1999 instead of CY 1995.

Fiscal Impact:

The following describes each of the three modifications in terms of potential impact:

1. The benefit of creating an artificial high benefit cost ratio is two-fold: stabilization of employer unemployment tax rates and continued health of the Unemployment Compensation Fund. The proposal would prevent the movement to higher tax tables as the past high benefit cost ratio years fall from the formula. Under current law, while the employer tax rates would be lower initially, the contributions would fail to support any increased level of activity and soon the fund balance would be depleted. This results in greater volatility in tax rates as the employers are shifted to lower tax tables to generate greater contributions then back up to higher tables as the higher cost benefit years again fall from the formula. Under the proposal, the tax tables are projected to change 2 times during the period FY 1997 - FY 2002; under current law the tax tables are projected to change 4 times. The bill has the effect of increasing the Unemployment Compensation Fund to \$659.2 million by FY 2002; this is \$237.0 million more than projected under the current law. There would be no effect on governmental employers as the rates for these entities are calculated by a separate formula.
2. The effect of incorporating experience levels into employer unemployment tax rates is revenue neutral. The resulting table reflects employer benefit experience levels and has a maximum tax rate of 9.0% only in tax rank 21, the highest rank.
3. Extending the sunset of the Administrative Contribution Surcharge to July 1, 1998, will generate approximately \$25.0 million in employer contributions over the 4-year period. Governmental and non-profit entities are, and will remain, exempt from the Surcharge. The revenue from the Surcharge is used to supplement federal funds for the DES administration.

-2-

Source: Department of Employment Services

(LSB 2084sv, SKR)

FILED MARCH 15, 1993

BY DENNIS PROUTY, FISCAL DIRECTOR

BETTINGS, CH.
SUNR
FURNMAN

SSB 192
BUSINESS & LABOR RELATIONS

SENATE FILE 239
BY (PROPOSED COMMITTEE ON
BUSINESS AND LABOR
RELATIONS BILL BY
CHAIRPERSON GETTINGS)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act relating to unemployment compensation by establishing a
2 minimum highest benefit cost ratio, by changing the
3 contribution rate tables, and by extending the duration of the
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5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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1 Section 1. Section 96.7, subsection 2, paragraph d,
 2 subparagraph (2), Code 1993, is amended to read as follows:

3 (2) The highest benefit cost ratio is the highest of the
 4 resulting ratios computed by dividing the total benefits paid,
 5 excluding reimbursable benefits paid, during each consecutive
 6 twelve-month period, during the ten-year period ending on the
 7 computation date, by the total wages, excluding reimbursable
 8 employment wages, paid in the four calendar quarters ending
 9 nearest and prior to the last day of such twelve-month period;
 10 however, the highest benefit cost ratio shall not be less than
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12 Sec. 2. Section 96.7, subsection 2, paragraph d, the
 13 contribution rate tables, Code 1993, are amended by striking
 14 the contribution rate tables and inserting in lieu thereof the
 15 following:

		Contribution Rate Tables								
Benefit	Approximate									
Ratio	Cumulative									
Rank	Taxable Pay-									
	roll Limit	1	2	3	4	5	6	7	8	
20 1	4.8%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
21 2	9.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
22 3	14.3%	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0	
23 4	19.0%	0.4	0.3	0.3	0.2	0.1	0.1	0.1	0.1	
24 5	23.8%	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.1	
25 6	28.6%	0.9	0.8	0.6	0.5	0.4	0.3	0.2	0.1	
26 7	33.3%	1.2	1.0	0.8	0.6	0.5	0.4	0.3	0.2	
27 8	38.1%	1.5	1.3	1.0	0.8	0.6	0.5	0.3	0.2	
28 9	42.8%	1.9	1.5	1.2	0.9	0.7	0.6	0.4	0.3	
29 10	47.6%	2.1	1.8	1.4	1.1	0.8	0.6	0.5	0.3	
30 11	52.4%	2.5	2.0	1.6	1.3	1.0	0.7	0.5	0.3	
31 12	57.1%	3.0	2.4	1.9	1.5	1.1	0.9	0.6	0.4	
32 13	61.9%	3.6	2.9	2.4	1.8	1.4	1.1	0.8	0.5	
33 14	66.6%	4.4	3.6	2.9	2.2	1.7	1.3	1.0	0.6	
34 15	71.4%	5.3	4.3	3.5	2.7	2.0	1.6	1.1	0.7	
35 16	76.2%	6.3	5.2	4.1	3.2	2.4	1.9	1.4	0.9	

1	17	80.9%	7.0	6.4	5.2	4.0	3.0	2.3	1.7	1.1
2	18	85.7%	7.5	7.5	7.0	5.4	4.1	3.1	2.3	1.5
3	19	90.4%	8.0	8.0	8.0	7.3	5.6	4.2	3.1	2.0
4	20	95.2%	8.5	8.5	8.5	8.0	7.6	5.8	4.3	2.8
5	21	100.0%	9.0	9.0	9.0	9.0	8.5	8.0	7.5	7.0

6 Sec. 3. Section 96.7, subsection 12, paragraph d, Code
 7 1993, is amended to read as follows:

8 d. This subsection is repealed July 1, ~~1994~~ 1998, and the
 9 repeal is applicable to contribution rates for calendar year
 10 ~~1995~~ 1999 and subsequent calendar years.

11 EXPLANATION

12 Section 1 of the bill provides that the minimum highest
 13 benefit cost ratio shall not be less than .02. Current law
 14 does not provide a minimum ratio. Section 2 modifies the
 15 contribution rate tables by providing rates that equal or
 16 exceed the current rates. Section 3 extends the scheduled
 17 sunset of the administrative contribution surcharge from July
 18 1, 1994, to July 1, 1998, and making the repeal applicable to
 19 contribution rates for calendar year 1999 instead of 1995.

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nearest and prior to the last day of such twelve-month period; however, the highest benefit cost ratio shall not be less than .02.

Sec. 2. Section 96.7, subsection 2, paragraph d, the contribution rate tables, Code 1993, are amended by striking the contribution rate tables and inserting in lieu thereof the following:

SENATE FILE 239

AN ACT

RELATING TO UNEMPLOYMENT COMPENSATION BY ESTABLISHING A MINIMUM HIGHEST BENEFIT COST RATIO, BY CHANGING THE CONTRIBUTION RATE TABLES, AND BY EXTENDING THE DURATION OF THE UNEMPLOYMENT ADMINISTRATIVE CONTRIBUTION SURCHARGE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 96.7, subsection 2, paragraph d, subparagraph (2), Code 1993, is amended to read as follows:

(2) The highest benefit cost ratio is the highest of the resulting ratios computed by dividing the total benefits paid, excluding reimbursable benefits paid, during each consecutive twelve-month period, during the ten-year period ending on the computation date, by the total wages, excluding reimbursable employment wages, paid in the four calendar quarters ending

Benefit Ratio Rank	Approximate Cumulative Taxable Pay-roll Limit	Contribution Rate Tables							
		1	2	3	4	5	6	7	8
1	4.8%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2	9.5%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3	14.3%	0.1	0.1	0.1	0.1	0.1	0.0	0.0	0.0
4	19.0%	0.4	0.3	0.3	0.2	0.1	0.1	0.1	0.1
5	23.8%	0.6	0.5	0.4	0.3	0.3	0.2	0.1	0.1
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7	33.3%	1.2	1.0	0.8	0.6	0.5	0.4	0.3	0.2
8	38.1%	1.5	1.3	1.0	0.8	0.6	0.5	0.3	0.2
9	42.8%	1.9	1.5	1.2	0.9	0.7	0.6	0.4	0.3
10	47.6%	2.1	1.8	1.4	1.1	0.8	0.6	0.5	0.3
11	52.4%	2.5	2.0	1.6	1.3	1.0	0.7	0.5	0.3
12	57.1%	3.0	2.4	1.9	1.5	1.1	0.9	0.6	0.4
13	61.9%	3.6	2.9	2.4	1.8	1.4	1.1	0.8	0.5
14	66.6%	4.4	3.6	2.9	2.2	1.7	1.3	1.0	0.6
15	71.4%	5.3	4.3	3.5	2.7	2.0	1.6	1.1	0.7
16	76.2%	6.3	5.2	4.1	3.2	2.4	1.9	1.4	0.9
17	80.9%	7.0	6.4	5.2	4.0	3.0	2.3	1.7	1.1
18	85.7%	7.5	7.5	7.0	5.4	4.1	3.1	2.3	1.5
19	90.4%	8.0	8.0	8.0	7.3	5.6	4.2	3.1	2.0
20	95.2%	8.5	8.5	8.5	8.0	7.6	5.8	4.3	2.8
21	100.0%	9.0	9.0	9.0	9.0	8.5	8.0	7.5	7.0

Sec. 3. Section 96.7, subsection 12, paragraph d, Code 1993, is amended to read as follows:

d. This subsection is repealed July 1, ~~1994~~ 1998, and the repeal is applicable to contribution rates for calendar year ~~1995~~ 1999 and subsequent calendar years.

LEONARD L. BOSWELL
President of the Senate

HAROLD VAN MAANEN
Speaker of the House

I hereby certify that this bill originated in the Senate and is known as Senate File 239, Seventy-fifth General Assembly.

JOHN F. DWYER
Secretary of the Senate

Approved April 6, 1993

TERRY E. BRANSTAD
Governor